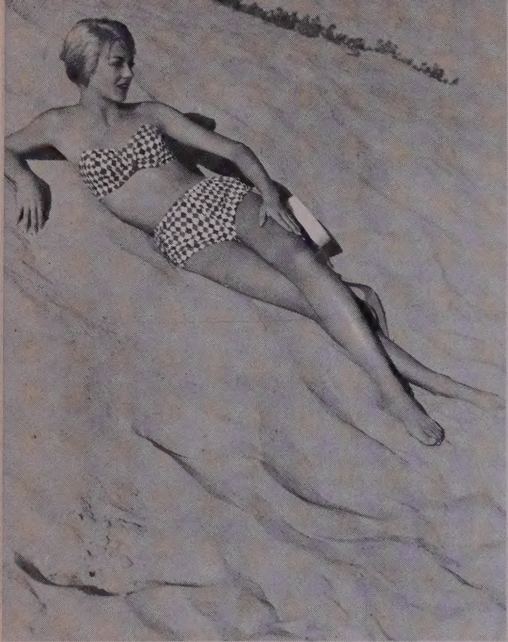
March 16, 1960

Investor's Reader

For a better understanding of business news

BANKER BRACE
OF BOSTON'S FIRST
(see page 20)



BABES IN BIKINIS

This teen-age "convertible bikini" is part of a determined effort by major swimsuit maker Rose Marie Reid of Los Angeles to capture a dominant share of a two-way growth market: 1) the 14-to-19 set is expected to make up 33% of the total swimsuit market by 1965 v perhaps 25% now; 2) the chic chicks will develop into prospects for the more mature swimsuit categories.

Though 8,500,000 gals strong, the teen group has not yet "crystallized as a market by itself," says executive vp Paul Haberfeld; most patronize the misses departments where they expect greater variety and higher fashion. Thus Rose Marie Reid's Junior line accounts for only 8% or so of total company sales and while the company is content to serve the youngsters at the misses counter, it wants to further cultivate this promising market by offering the teens a full, high-styled line scaled to their dimensions. Like Rose Marie regulars, the junior suits are constructed to combine the "fit and control of a foundation garment with the glamor of an evening gown."

Rose Marie's stylish merchandise has pushed sales higher in each of the company's 14 years with the $15,920,000 volume for the year ended August 1959 up 14% over 1958 and eleven times the 1949 level. But after a goodly rise in the early years, profits slipped from the fiscal 1957 high of $795,000 to $703,000 in 1958 and $655,000 last year. Aside from heavy expansion expenses, vp Haberfeld explains fiscal 1959 "started rather slow" (recession aftermath) but after January 1959 stepped up "very nicely" and gave the the company "our biggest spread of best sellers" last Spring. Unfortunately this required high-cost production in cramped quarters (a big new plant in the San Fernando Valley is a-building) to meet the unexpectedly "tremendous demand pressures." This season demand built up earlier and the company as of now has raised its sights to a 15-to-20% volume gain. And while Paul Haberfeld is hesitant about predicting an early profits recovery, he ventures: "At this point we feel the downtrend has certainly been checked."

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Investor's Reader

No 6, Vol 34 March 16, 1960

BUSINESS AT WORK

AVIATION
Investor Deplanes

THE INCREASINGLY jet-propelled airline industry racks up impressive volume gains but has trouble raising its profits altitude. Last week president Frederick F Robinson of National Aviation Corp, an air-oriented investment company, feared it would take a "miracle" to avoid serious airline problems from jet-fostered excess capacity. He also told stockholders in the first two months of 1960 Aviation Corp had nearly halved its airline holdings, now down to 12% from 21% of the total portfolio.

WALL STREET
Madison Fund Decants

IT WAS NEARLY two years ago that president Edward A Merkle of Pennroad Corp deplored to an INVESTOR'S READER reporter the "accident of birth" which still linked his closed-end investment company to the Pennsylvania Railroad (its 1929 sponsor) in the minds of many investors though all corporate and investment ties had been severed long ago (IR, April 30, 1958). Ed Merkle added: "Our corporate name is a liability—we'd take five percentage points off the discount if we changed it."

Pennroad (PNO on the Big Board) finally changed its name to Madison Fund (MAD) 16 months ago and, while other factors no doubt influenced the result, Ed Merkle's discount prediction has been fully realized—in fact, doubly so with still one more percentage point to spare. Two years ago Pennroad shares sold at 14 for a 20% discount below their net asset value of \$17.55 a share; at the end of 1959 MAD shares had risen to 18¾ and their net asset value to \$21.78, trimming the discount to 14%. The stock recently sold at 17¾ but with net asset value then figured at

$19.50, the discount was only 9%.

Late last month one final vestige of Madison's brief infancy as a Pennsylvania Railroad holding company was erased. The investment company sold its 79% controlling interest in Canton Company of Baltimore which Pennroad had acquired two months after its own founding in April 1929. Canton Company (which had represented about 6% of MAD's total portfolio) is now one of the largest terminals on the Atlantic seaboard and is a site for unloading, storing and delivering iron ore, other bulk cargoes and general cargo. It owns six piers, four warehouses, short-haul rail facilities and waterfront land in & around Baltimore. One of its piers is leased to the Pennsylvania Railroad; both Pennsy and Western Maryland have rail connections with the terminal.

In its new incarnation Canton Corp will be operated as a division of International Mining Corp which is buying from Madison Fund and others 92% of the 433,000 outstanding shares. With a purchase price of $25 a share, Madison Fund's portion for its 342,500 shares amounts to $8,562,000.

MAD will use these funds for investment in accordance with Ed Merkle's avowed investment policy of avoiding "special situations" and staying aloof from control of companies whose securities it buys. Biggest element (47%) of Madison Fund's portfolio is its list of "industrial and miscellaneous" stocks. These the management classes mostly as "sleepers, the blue chips of the future." Biggest investments in this group (all over $2,000,000) are Texas Instruments, Freeport Sulphur, General Motors and two Europe-based, world-girdling industrial empires: Philips Lamp Works and Unilever.

FOODS

American Chicle Chews Profits from Old Standbys, New Proprietary Specialties

IN THIS AGE of space and electronics when all sorts of companies in fancy technical fields flare up with spectacular albeit sporadic performances, the American Chicle Company seems to operate in a mundane if highly stable sphere. Across the East River from Manhattan in heavily industrialized Long Island City, the $54,000,000-assets chewing gum maker operates out of the same office and main plant it has occupied since 1920. And every year it makes a fine showing with the same brands it acquired in the consolidation which formed the company in 1899.

Despite the antiquated exteriors, Chicle has fared well in modern times. The maker of Chiclets, Dentyne and Clorets has quietly posted a healthy sales rise in each of the last ten years while earnings have climbed steadily for the past eight. Specifically, in 1959 American Chicle sales were $68,700,000, up almost 7% from 1958 and double the 1949 figure. Earnings were over 10% better at $9,200,000 or $3.21 a share *v* $2.95 in 1958 and $1.51 ten years ago.

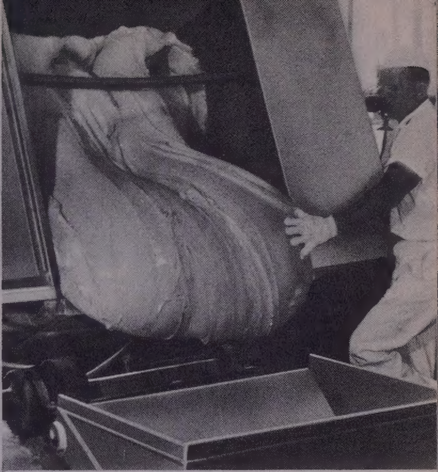
Although probably at least 80%

of volume still comes from standard gums, some proprietary drug products introduced within the last decade now bring in a tidy profit and this line will undoubtedly be broadened. Not bound to that phenomenon of chewing gum economics, the 5¢ price tag, chlorophyll-based de-scenters Clorets (both gum and mints) and Rolaid antacid mints sell for 15¢ a package, do not chew so hard at profit margins. Venerable standby Sen-Sen, a "breath confection" acquired along with Chiclets back in 1909, still comes in nickel size but is sold in 10¢ packets as well.

The latest item on the proprietary shelf (also a dime) is a three-flavor breath mint called Certs. If current market tests on the West Coast prove successful, it will go into national distribution this year. As for any other new products, president Lysle Edward Pritchard says: "We have many cooking on the back of the stove but none are ready now for test marketing."

Born the year American Chicle was formed, 61-year-old Lysle Pritchard joined the company in 1922 as a salesman in New York, became president in 1958. Tall, lean and weather-tanned, he is as much at home riding herd (in a jeep) on his Florida cattle ranch as he is in his Manhattan apartment. "I look for an excuse to go down often and when I get back I start looking for an excuse to return early. Generally I get down for a long weekend about once a month."

Global Gum. And he feels American Chicle can take advantage of



Giant wad of ACJ gum

the wide open spaces, too. For many years the company's only foreign operations were on this side of the Atlantic—in Canada and throughout Central and South America. But in 1951 the gum maker formed a 50-50 company with Rotterdam's Van Nelle which supplies the European Common Market as well as certain soft currency countries not otherwise accessible to a dollar area company.

A South African joint venture was started in mid-1957. Then the following year American Chicle bought out its partner, now runs the Johannesburg plant via wholly owned subsidiary Adams Brands (Pty) Ltd. Lysle Pritchard is convinced the market potential there is tremendous for the substance which delighted natives (for lack of a direct term) call "the candy that never wears out."

With an entree to Europe and an African outpost already established, the chicle executive speculates, "I

Chiclets boxed by automation

cannot conceive of an area where there are limitations automatically imposed. It will depend entirely on our ability to sell." In line with this philosophy, he counts manpower as the most important factor in the business today. "It takes good men with know-how and ambition to build and run an organization."

A major North American expansion is slated for completion this Spring—a $4,000,000 Toronto factory to replace one in operation since 1905. Otherwise, "there is no major undertaking in the offing. Our present two plants in the US and ten abroad are enough to take care of normal requirements within their areas over the next four or five years."

As far as taking any other companies into the family is concerned, president Pritchard allows "we've toyed around with a few but haven't hit the right thing. We have close to 300,000 shares available in case we do but any acquisition will have to fit in with our operations and know-how."

Capital expenditures in 1960 will run at a "usual" $1,500,000 for necessary maintenance and modernization. Oftentimes this capital goes to a "spend money to save money" project. Says president Pritchard: "We are constantly looking for ways to keep costs down. We may have a machine that is only partially depreciated but if we find another machine can do the job better, we replace it."

Chewing Economics. Keeping costs down is of major importance with a 5¢ product. The company (like its rivals) has developed low-cost synthetic materials to replace imported natural gum bases (such as chicle); this has been largely responsible for keeping the nickel tag. Gum makers like the synthetic better anyway as it is always uniform, its properties can be con-

trolled and it is not susceptible to climatic conditions.

Asserts Lysle Pritchard: "If it had not been for this development, we could not continue to sell gum for a nickel a pack." Then he adds: "If costs continue to mount we may have to raise the price anyway because we won't sacrifice quality."

To get this message of quality across to the chewing public, American Chicle spent over $7,000,000 last year on advertising and plans to put out "about the same amount in 1960." This comes to a whopping 10% of sales. A big chunk goes for sponsorship of TV programs 77 *Sunset Strip* and *Cheyenne*.

For the 9,150 stockholders who own the 2,860,000 outstanding shares, ACJ (Big Board ticker symbol) results have been gratifying. The company has paid uninterrupted dividends since 1926 and each of the last four years has seen increases. The latest, following a 2-for-1 split in December 1958, brought the 1959 payout to an even $2. ACJ currently trades around 49, down from last year's high of 55 but over 2½ times the adjusted 18 of a decade ago.

President Pritchard sees the first quarter of 1960 "a bit ahead of last year" and expects to maintain this pace for the full year. As for the new decade, "I'm conservatively optimistic about the future. I wouldn't attach any 'zooming' or 'soaring' to the Sixties. They look interesting but they're not completely through the ceiling. We've a job to do—we did it last year and we'll do it next year."

PAPER

Great Scott

NOW ENTERING its ninth decade, the Scott Paper Company has just completed "the most successful year in its 80-year history." But that sort of pronouncement is hardly news anymore for the nation's No 1 sanitary paper producer. Sales have increased in 19 of the past 23 years—from less than $6,000,000 in 1927 to $297,000,000 last year—with $200,000,000 of this gain coming in the Fifties.

Earnings have largely kept pace. The $24,800,000 or $3.08 a share netted last year compares with $2.75 in 1958 and is triple the 1950 profit. On the Big Board the 7,920,000 common shares of "SPP" currently trade around 77—ten points below last year's high but nearly five times the 1950 level.

The current price equals almost 25 times 1959 earnings (highest such ratio in the paper industry). Last week Scott treasurer Dudley A Ward commented to the New York Security Analysts: "If we are to justify our present price-earnings multiple we must have something more concrete to point to than a glorious past." Specifically he pointed to these futures:

- A growth rate for trade-marked paper products projected at 6% annually over the next five years.
- Anticipated good growth for sulphite and sulphate specialty papers especially after 1961 when a new 70,000-ton paper machine in Mobile will add $20,000,000 in annual sales potential.
- A series of new products now

being developed and expanded including Scottcups, polyurethane ScottFoam, paper fabric Dura-Weve, sanitary napkins Confidets and plastic film Wonder Wrap.

- Further foreign success. Scott now has a $29,000,000 investment in companies in Canada, Mexico, Colombia, Britain, Belgium and Australia; its equity in their estimated 1959 earnings came to $1,-850,000.
- Ambitious domestic capital expenditures budgeted at $31,000,000 this year.

Treasurer Ward concluded: "The first quarter looks very good, and, if the rest of the year continues the trend, Scott will be posting a whole list of new records at the end of 1960."

Federal Enters Richmond

IT WAS a small audience which gathered in mid-Manhattan's Hotel Biltmore two weeks ago to add its affirmative vote to the proxies which approved Federal Paper Board Company's plan to acquire Manchester Board & Paper Company. The meeting was over in a trice.

Still, there was time for Federal president John Raymond Kennedy to reply "certainly" when queried whether the acquisition would increase the company's earnings and for secretary Robert Wallace to add: "On a pro forma basis Federal and Manchester together in 1959 would have earned 11¢ more a share than Federal alone."

On its own, Federal last year attained record sales of $78,100,000, up from $73,300,000 in 1958 and only about $20,000,000 in 1950. Earnings came to $4,696,000 or $4.01 a share in 1959 *v* $3.79 in 1958 but this year-to-year gain was accomplished only by grace of a 36¢ a share non-recurring gain. Manchester, as a specialist only in the more volatile but often more profitable paperboard business, has seen its earnings rise every year for the last five; in 1959 they reached about $850,000 on roughly $8,750,-000 sales.

To secure the mostly tacit consent for the merger, Federal explained to stockholders in its meeting notice that Manchester offers Federal entry into the Southeast. Ensconced along the Hackensack River in Bogota, NJ, Federal operates eight paperboard mills and eight carton plants at eleven sites in the East and Midwest. Manchester is headquartered in Richmond with a branch plant at Roanoke Rapids, NC.

Prexy Kennedy added in person: "We believe the combination of the two companies will be greater than the sum of the parts. Federal will gain additional facilities and established customers in the Southeast and a broader base for its products. Manchester stockholders will have greater marketability for their holdings and a part of a larger and more diversified enterprise."

Manchester's capacity of 90,000 tons of paperboard annually will swell Federal's total to about 390,-000. In addition Federal has 190,000 tons of folding carton facilities. Federal vies with Continental Can's Robert Gair division for second

place in the folding carton industry (Container Corp of America leads the parade).

Federal has some special plans for Manchester which Jack Kennedy promises to reveal at the company's annual meeting on April 19. Announced already is the fact Manchester will be operated as a division of Federal. Since Manchester makes paperboard but not folding cartons one logical aspect of any expansion plans would be a carton plant near Manchester's home grounds.

Fourth Campaign. Manchester is the fourth important acquisition for Federal in the last seven years. The series started in 1953 when it bought National Folding Box Company for $6,900,000. This gave Federal its biggest installation, a board mill in New Haven with 66,000 tons annual capacity and an adjacent folding carton plant with 55,000 tons. Next major buy was Morris Paper Mills of Chicago, obtained in 1956 in return for Federal stock. This added a paperboard mill and carton plant in Morris, Ill and a carton plant in Marion, Ind.

Then in June 1958 followed the diversifying purchase (again for stock) of Federal Glass Company of Columbus, Ohio which mass-produces glasses, dishes and similar glassware but also makes its own corrugated shipping containers. Federal Glass "had never been related to us before in any way," explains 59-year-old Jack Kennedy who has been boss of Federal Paper since 1942, "but we liked their also having the established name of 'Federal' which tied in nicely for advertising. More important, of course, we like the company." The glass company brought in about one quarter of Federal's sales last year.

President John Kennedy

Federal has not expanded by acquisition alone. For instance a 30,000-ton carton plant has been in operation at Washington, Pa since mid-1958. It replaces leased facilities with combined capacity of 24,000 tons in Pittsburgh and Steubenville, Ohio.

Armed with its brand new Southeastern outlet, Federal faces a paper industry year which president Kennedy labels "good, though not an all-out boom. Our own first quarter looks better than last year as both production and sales are up. But I'd rather not make a dollars and cents prediction on earnings until we have seen a little more of the results so far this year." Jack Kennedy adds: "There are indica-

tions of a firming of prices of paper products, something needed to offset increased costs."

Meantime paper company stocks have endured some of the same rough weather the rest of the market has undergone early this year. From a 1959-60 high of 56¾, Federal's common shares (tickered FBO) were down to 41 on the Big Board last week. Thus the $2 a year dividend provided a yield of almost 5%. The $1.15 preferred ($25 par) trades around 21.

With 243,000 preferred and 114,000 common shares paid for Manchester, Federal's capitalization now comes to 587,000 preferred shares (all issued for acquisitions) and 1,183,000 shares of common. In addition the company has $800,000 in long-term debt.

While integrating Manchester into Federal operations is the company's big project now, Jack Kennedy is not averse to other acquisitions. Says he: "We intend to be alert to any merger opportunity which will broaden our earnings base."

RETAIL TRADE
Red Owl Roost

FOR THE past 38 years $40,000,000-assets Red Owl Stores Inc of Minneapolis has worked hard to make its colorful birds symbols of good shopping roosts. Presently their attention-drawing visage is perched atop 164 Red Owl supermarkets and 331 franchised agency stores. In fiscal 1959 (on which the books closed just two weeks ago) Red Owl again set new records. Financial vice president Lawrence Rixe estimates sales at $226-to-227,000,000 compared with the $199,000,000 tallied in 1958.

Lawrence Rixe figures profits should be $3.50-to-3.60 a share, up from the former high of $3.40 a share earned in fiscal 1958. He adds: "This does not include the two months operation of H A Marr Grocery Company of Denver acquired in December," whose 1959 sales are figured at over $35,000,000.

Red Owl still operates the 17 Marr stores under their original Busley and Empire names while Red Owl starts to introduce its own operating patterns. Lawrence Rixe explains: "Eventually they will be renamed Red Owl Stores but the conversion will be a gradual process."

Red Owl regards the reputation of its stores as "all important." To insure continued esteem the company maintains a store update and improvement program which covers 30-to-40 stores a year. This year's budget for maintenance and repairs comes to $1,300,000 (excluding renovation in the Denver division which consists of the Marr stores). States vp Rixe: "Folks are entitled to good shopping conditions."

Another $3-to-4,000,000 will go for expansion. Red Owl will open 15 new stores in major metropolitan areas this year and another two stores in smaller cities.

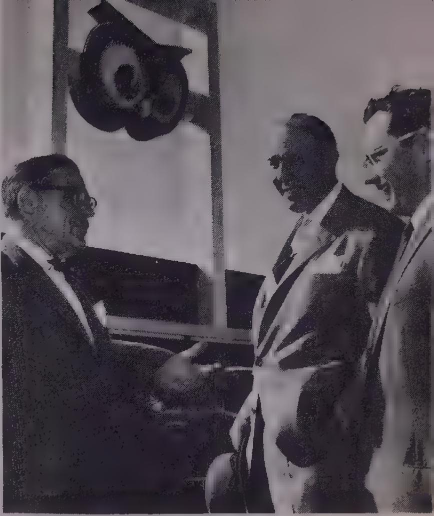
Most Red Owl expansion has come just in the last five years. But since then sales have almost doubled and over 60% of last year's business came from stores opened since

March 1955. The average new Red Owl store measures 15-to-16,000 square feet. Larry Rixe figures it does a "$1½-to-2½ million business a year" compared with an overall store average of $1,120,000.

During the last 14 months Red Owl has also expanded geographically. It built new stores to enter the Chicago and Milwaukee markets (see at right: president Alf L Bergerud, chairman Ford Bell and Milwaukee's industrial coordinator Rolland Berger at local opening) and through the Marr acquisition moved into Denver.

Add Agency. Besides expansion and modernization of its own supermarkets, Red Owl intends to increase the number of its agency stores. These are independent groceries which in return for the use of the Red Owl name buy the bulk of their produce requirements from Red Owl's wholesale operations. Explains vp Rixe: "Oftentimes it is not feasible to have a large corporate supermarket in a small town. This is where our agency stores take over. Especially in small towns folks prefer to deal with the hometown grocer."

Often where a small Red Owl supermarket is only marginal, when converted into an agency store under independent management it proves much more profitable—both to Red Owl and the independent owner. And it still retains the Red Owl name in that area. The agency stores have also proved a boon to Red Owl's distribution system. "They enable us to operate more efficiently since the trucks can carry



THE MILWAUKEE SENTINEL

Red Owl comes to Milwaukee

supplies to the smaller stores along the same routes which serve our big central retail stores."

The agency stores also provide excellent outlet for the company's private labels. Red Owl makes its own brands of bakery goods, coffee and delicatessen items. Its private brand philosophy: "Take advantage of the Red Owl name and symbol but use it only for high-quality merchandise. Folks buy for name as well as for price. What we want at Red Owl is to have our store reputation impression extend right down to our private labels."

One very successful Red Owl label is its cake mix which now accounts for over half of all such sales in Red Owl stores. The double-faced box label shows a large high cake which when boxes are stacked side-to-side "looks as though you're getting a bigger cake."

Along with private labels and

other foods Red Owl supermarkets also retail non-food items. Chief among these: health aids, records, magazines and housewares. Larry Rixe feels these items "are here to stay in the supermarket." He notes: "In our stores non-food items account for up to 9% of sales."

Another food chain standby—trading stamps—is distributed in all but the three Chicago and seven Milwaukee stores. "We got into stamps in a defensive move and then found they did a good job for us," comments vp Rixe.

Its active selling efforts have made Red Owl No 14 among the grocery chains which classifies it in about a "medium-sized" status. But in investor terms the company is still small. There are only 665,000 common shares which trade over-the-counter around 47. Ahead of them is only $10,000,000 in long-term debt. Some day Larry Rixe admits: "I'd like to see the stock listed."

METALS

Bridgeport Brass Polish

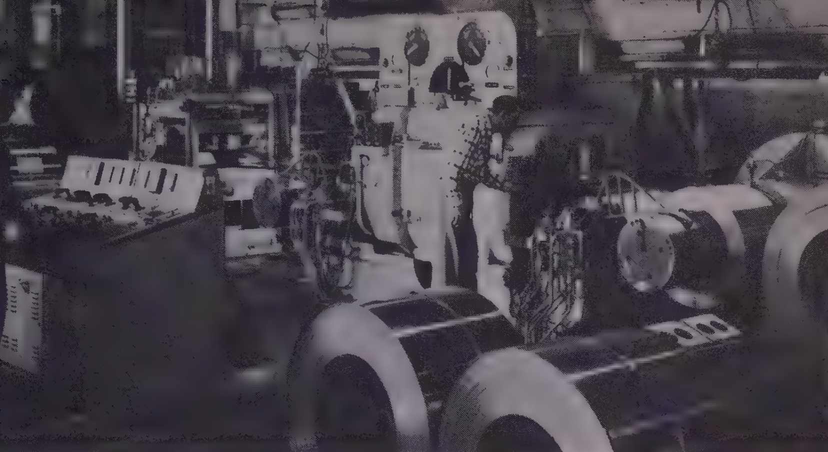
IN AN ERA which almost every week sees some company or other rechristen itself to mark its search for broadened horizons or new fields of endeavor, president Austin Robert Zender of $92,000,000-assets Bridgeport Brass Company makes a point of saying "we have kept our original name through all our 95 years."

Furthermore, he emphasizes: "Our present expansion program is based on the premise that the future of the company lies completely in the metals field." Of course, this structure still leaves a wide scope for Bridgeport operations and "we're carrying on a broad research program which ranges from A to Z—aluminum to zirconium."

Prior to 1938 the company operated two plants in Bridgeport, Conn to make brass, copper and bronze mill products. Since then Bridgeport has more than doubled capacity at these factories and also added a third unit which concentrates on metal laminates and research. Another big move came in 1948 when the company bought a Government brass mill in Indianapolis which is now one of its largest facilities.

In 1953 Bridgeport leased (again from the Government) an aluminum forging and extrusion mill in Adrian, Mich. Three years later the company acquired Hunter Douglas Aluminum Corp for 270,000 shares and assumption of $5,800,000 in debt. Hunter Douglas operates two plants in Riverside, Cal and one in Flemington, NJ. The bulk of its output consists of aluminum strip and the Flexalum line of Venetian blind and awning components. For $1,325,000 Bridgeport this January acquired a Navy-owned plant in Warren, Ohio which it plans to use for aluminum fabricating. The company also acquired a stake in a couple of specialty metals producers.

Bridgeport now prides itself on being the world's largest independent producer of brass, copper and aluminum mill products. The company owns no mines and, unlike rival Revere Copper & Brass (36% owned by American Smelting & Refining), it has no prime producer



Bridgeport polishes its brass

affiliation. It buys its copper and zinc to melt into brass; also aluminum pig (from "all the domestic primary producers as well as Aluminium Ltd in Canada").

Aluminum products now bring in one fourth of total sales. However secretary John Dawson says brass mill products still account for the biggest chunk with "at least 65% of volume." The remainder comes from such manufactured items as tubular plumbing goods and tire valves. Bridgeport's long list of customers ranges from construction companies to electrical equipment and auto makers.

Great Year. Despite the prolonged copper and steel strikes, Bridgeport rolled to the greatest year in its history in 1959. Sales rose 28% to $173,000,000 while earnings jumped to $7,000,000 or $4.40 a share from $4,700,000 or $2.80. The directors celebrated with an increase in the quarterly dividend from 37½¢ to 50¢ last November; at the time they also tacked on a year-end extra of 12½¢. However the new rate still falls shy of the $2.50 a year paid in 1955-57. But secretary Dawson points out the company has always been generous (the payout has averaged 65% of earnings) and "we will get back to the $2.50 rate when profits warrant."

The 1,516,000 Bridgeport shares also have a goodly way to go to approach their 1956 high of 54. Currently they trade rather quietly on the Big Board around 38, midway in the 1959-60 range of 44-to-33. The present price equals nine times last year's earnings and provides a 5.3% yield.

In an effort to "greatly increase" sales and profits over the next few years, Bridgeport has just started a $65,000,000 expansion program which will run through 1965. To provide funds "we recently signed a credit agreement with six banks for $21,000,000. A large part of this money will be spent equipping the

plant we just bought in Warren for the manufacture of aluminum sheet and strip." (The Navy had used it for steel fabricating.)

President Zender continues: "The first mill installed there will be limited to producing 24-inch sheet" on a re-roll basis only. It will be ready some time this Summer. After that, "equipment will be installed to produce sheet up to 48 inches wide and the mill will eventually become integrated with complete melting, casting and hot rolling facilities."

All in all the company counts on "substantial" increases in aluminum use in the future. Austin Zender says "present consumption of 2,000,000 tons a year is predicted to double by 1965 and expand another 100% in the following decade." To cash in on the boom Bridgeport also plans to enlarge its Riverside aluminum plant. This installation will eventually produce 18-inch strip (present limit is eight inches) and roll "relatively unlimited lengths of coil."

Alloy Alliance. Further broadening its metal interests Bridgeport last October contracted to purchase a 55% interest in Seymour Manufacturing Company for $2,200,000. Seymour will allow "us to enter new fields in the nonferrous industry;" specifically phosphor bronze and nickel silver alloys, nickel anodes and some stainless steel. However some minority holders in family-owned Seymour have sued to block the purchase and Bridgeport secretary Dawson expects a decision at best will take close to a year.

Meanwhile Bridgeport concentrates on obtaining a firmer foothold in the special metals field. Last May the company agreed to manage Mallory-Sharon Metals Corp, a titanium & zirconium producer which is jointly owned by P R Mallory, Sharon Steel and National Distillers. In return for its services Bridgeport has a five-year option to purchase a 25% interest in the company.

Sharon is not Bridgeport's only joint venture. Since 1947 it has managed and owned a 40% interest in Noranda Copper & Brass Ltd. Noranda owns a brass mill in Montreal which supplies the Canadian market with sheet, wire, rod, etc. It has operated at a profit since 1950 and at the end of 1958 Bridgeport's book equity exceeded its $1,040,000 investment by over $3,000,000.

Bridgeport also plans to enter another foreign area, the European Common Market. The company expects to headquarter in Switzerland but manufacture in other countries —exact locations so far "not determined."

However Bridgeport is not going to bypass the mainstay of its business. As part of its expansion at Riverside, the company expects to manufacture copper & brass tube at this hitherto all-aluminum facility. This will "enable us to better serve our West Coast customers." Last September Bridgeport entered the Southeast for the first time with a 65,000 square foot plumbing goods factory in Moultrie, Ga. And president Zender summarizes: "For our copper and brass operations, the long-range plan calls for considerable improvements in operating techniques and production equipment."

WE HEAR FROM . . .

For the past 14 years the policy of this section has been to print only letters of criticism or additional information. Because they would add little to the knowledge of readers, our numerous complimentary letters will be included only on rare occasions.

More Cost Cutters

GARDEN GROVE, CAL

GENTLEMEN:

Thank you for the fascinating article (IR, January 20) which so enthusiastically described the cost reduction program instituted by Republic Aviation Corporation on its F-105 project.

Here, at Autonetics Division of North American Aviation, we are constantly striving to reduce costs through utilization of more efficient production methods, elimination of waste and encouraging cost-consciousness at all levels of the organization.

Very truly yours,
WILLIAM NELSON

Faster Flash

CLEVELAND

GENTLEMEN:

Your January 20 article on our flash report was most complimentary and is very much appreciated. Let me just say that our procedure is to produce our closing figures on the first working day of every month. January 4th happened to be the first working day of the New Year. Last year it was January 2.

Very truly yours,
JOHN S KUSIC, vice president
Chesapeake & Ohio Railway

In complimenting C&O for issuing yearly reports by January 4, we failed to realize that, calendar willing, it often betters that mark.—*Ed.*

Talcott Title

NEW YORK

GENTLEMEN:

We enjoyed reading your excellent story on our company in the February 17 issue. For the sake of accuracy, I thought you might want to note Mr Silverman is president of the corporation rather than chairman.

Very truly yours,
DORIS WILLIAMS
James Talcott, Inc

Stockholder Service

NEW YORK

GENTLEMEN:

As a reader of your very interesting publication, I want to report to you the following incident. I am a stockholder in Florida Power & Light Company and I remembered reading in one of your publications some time ago that this company goes out of its way to help its stockholders.

I was recently in Florida and it was necessary for me to obtain tickets for a Sunday afternoon jet flight. It was just impossible for me to get tickets. Then I remembered what you had said about Florida Power & Light. I spoke to Mr William F Blaylock, secretary of Florida Power & Light, and told him of my predicament. He advised me that he would try to do whatever he could to help me, and he did obtain the tickets for me. This, of course, made me happy. I also felt good that a company in which I am a stockholder went out of its way to do me a favor.

I think any company that can do such nice things for its stockholders should be mentioned in your magazine.

Very truly yours,
NATHANIEL FIELD
Nathaniel Field & Co

It hereby is.—*Ed.*

Another Centenarian

ALBANY, NY

GENTLEMEN:

In your February 3rd issue you published a list of "Dividend Centenarians." This was quite an interesting list. I realize you could not (as you pointed out) list everyone in that category. Nevertheless I want to give you the history of the State Bank of Albany.

The bank was founded in 1803 and has paid dividends without interruption since 1804. It is currently paying $1.80 per share plus an occasional stock dividend. The current market is 56-59. State Bank of Albany ranks No 83 in size of all the banks in this country.

Very truly yours,
DONALD L CURRAN

ACF Runs on Multi-Track Schedule

Rail Car Builder
Finds Stability
On Car Leasing Sidetrack

WHEN OLD-TIME rail equipper American Car & Foundry Company abbreviated its corporate moniker to the less pinpointing ACF Industries Inc in 1954, it stressed its interests in diversification for greater stability and better growth. ACF's sidelines have carried it into a variety of ventures from radar tracking devices for missiles (and astronauts) to valves for oil wells to automobile carburetors.

Despite these new directions however, chairman William Towson Taylor emphasizes ACF has found its primary growth right on the rails. Specifically, the brightest spot is its railroad car leasing program which Bill Taylor calls "the aspect of our business exerting the greatest stabilizing influence on our earnings, one which has also demonstrated an impressive growth record and the one least understood outside the company itself."

The problems in understanding are not surprising for ACF's car leasing activities are involved and complex. The backbone of this business is handled by the Shippers' Car Line division. Shippers' buys cars at cost from the American Car & Foundry division and furnishes them to industrial companies on long-term "maintenance & service" leases which means ACF takes care of all upkeep throughout the lease period. In addition, Shippers' also sells cars and parts manufactured by the Car & Foundry division to industrial users.

To facilitate financing of its car leasing programs, ACF operates on another siding through nonconsolidated subsidiary SHPX First Corp and a number of First's subsidiaries—jointly called the "SHPX Group." With modern rolling stock and the leases on it as its prime collateral, SHPX has no difficulty borrowing the funds it needs for its own financing activities with no recourse to parent ACF. It currently has $25,000,000 in serial notes outstanding.

Refined Leases. While SHPX was started primarily for the benefit of industrial car users (many of them Shippers' Car Line customers), the company last year extended the program with the ACF Plan for Leasing Cars to Railroads. Since the railroads have their own shops and maintenance facilities, ACF offers "net leases" with the roads taking full care of the cars rather than the "maintenance & service" leases favored by most industrial lessees. With leases running for "terms substantially equal to the useful life" of the cars, the ACF plan provides railroads with a quick means for new equipment without a large capital expenditure.

The first transaction under the new plan was for 2,000 hopper cars delivered to the Pennsylvania Railroad. Leasing arrangements are now under discussion with several other railroads.

Chairman Taylor feels the unique

ACF hitches for a piggyback ride

SHPX financing concept should substantially profit both ACF and the railroad industry. He notes "the money a railroad saves on car leasing today can be used for other money-saving improvements tomorrow." Furthermore, he is eager to see the country's freight car fleet built up in the interest of the national economy.

The 59-year-old car lessor modestly admits he has a personal as well as a business interest in SHPX as he is one of the fathers of the plan. A former banker (Bankers Trust and a merged predecessor), his work on the financing of long-term leases brought the ACF account to his bank and brought Bill Taylor (in 1957) to the head of ACF's board of directors.

With an eye on growth potential in railroad car leasing and building, chairman Taylor sees indications of "better times ahead" for ACF operations. He cites the railroads' dwindling serviceable freight car fleet which is near an 18-year low and is cheered by reported increases in equipment buying budgets of many railroads for 1960.

Meantime ACF's own car fleet of tank and other freight cars is at an alltime high of 16,300 cars. This makes ACF the nation's third largest private car leasing fleet—behind General American Transportation and Union Tank Car and a scant car-length ahead of North American Car.

While tank cars predominate in ACF's Shippers' Car Line fleet, Bill Taylor stresses: "This fleet, the youngest on the rails, is balanced in types of cars so it will not be dependent on any one industry. We have achieved diversification through the fact that a large major-

ity of the cars serve growth industries such as chemicals, petro-chemicals and food products."

Foundry Activities. Both the Shippers' and SHPX car leasing operations provide a pleasant source of business for the basic Car & Foundry division. But Car & Foundry has also managed to snare a goodly amount of outside orders. All told, production has averaged 11,000 cars in the past fifteen years including 1,600 a year for ACF's own fleet and industrial customers.

One important contributor to ACF's carbuilding business is the rapid growth of piggybacking (IR, June 10, 1959). Last year the company sold over 1,000 of its new 85-foot piggyback flatcars designed to carry two 40-foot truck trailers. And chairman Taylor reports "our retractable trailer hitch is in use on over 60% of all flatcars in piggyback service."

Even in its defense work, ACF often sticks close to the rails. One currently newsworthy product is the mobile launching system for the Minuteman missile which ACF developed in conjunction with American Machine & Foundry. The two companies have been awarded a contract by Boeing to build prototypes.

Leased Stability. Since work on defense as well as more prosaic civilian types of "hardware" can be rather volatile, the steady (and happily growing) profits generated by car leasing are especially welcome. While competitively hesitant to provide detailed statistics on current car leasing operations, chairman Taylor volunteers total rentals payable on the unexpired portion of current leases exceed $100,000,000. "These car leases comprise a built-in stability factor because of their staggered maturity dates and relatively long terms," he explains.

This "stability" of earnings power was demonstrated in the company's latest annual report for the year ended April 1959. The recession caused profits of ACF Industries itself to drop to $1,700,000 from $7,900,000 in fiscal 1957/8. The Shippers' Car Line figures are of course consolidated (and thus hidden) in these totals but separately reported SHPX net income increased to just over $1,000,000 from the $900,000 posted the year before. This slightly eased the drop in combined net: $2,700,000 ($1.92 a share) for 1958/9 from $8,800,000 ($6.18) in 1957/8.

An even more dramatic example came in the third (January) quarter of the current fiscal year during which the steel strike brought car production to a virtual standstill. Thus ACF Industries itself lost $585,000 but a $294,000 profit by car-leasing SHPX moderated the combined deficit to $291,000.

Fortunately for ACF's 14,000 stockholders this third quarter is not indicative of the year. When it closes its books in April, Bill Taylor estimates combined earnings should be approximately $5,200,000 or $3.65 a share, almost double the year before. And while he warns "please do not take this as a prediction," Bill Taylor notes "our present planning" looks for fiscal 1960/61 income in the $6.50 a share area.

Lear Inc Plots a New Direction

**Aircraft Equipper
Seeks Commercial Uses
For Know-how, Products**

WHEN a company derives 92% of its income from defense business, one way of seeking long-range stability is to find more commercial work. A company with that problem (and trying to work out that answer) is Lear Inc, a $37,000,000-assets maker of fine instruments —including that paragon of stability, the gyroscope—for aircraft and missiles.

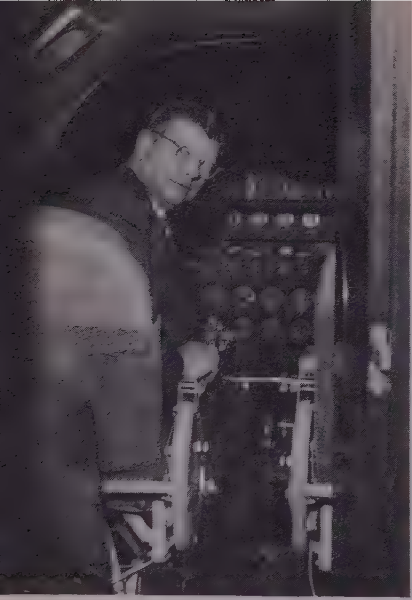
Lear has plants in Santa Monica, Grand Rapids (its birthplace) and Elyria, Ohio. Its platform gyroscopes are used in the Bomarc and Nike-Zeus missiles and in the elaborate toss bombing systems for Navy and Air Force manned aircraft. Describes chairman William Lear: "If a regular gyroscope has X complications, a platform gyroscope has X^3 complications."

Lear also makes attitude indicating instruments through its instrument division in Grand Rapids. Other products include LIFE (Lear Integrated Flight Equipment), a consolidated package designed to make instrument flying easier for transport and utility craft pilots. The LIFE flight director system combined with a Lear autopilot has been installed on Piedmont and Ozark Airlines F-27 turboprops and ordered for the Allegheny Airlines Convair 540s. Lear autopilots are also on the Caravelle jets flown by Air France, SAS, Varig and ordered by Sabena, Air Algeria, Royal Air Maroc and Alitalia. The recent United Air Lines order for 20 Caravelles and acquisition of US rights to the French-designed jets may also prove a boon for Lear though it is not yet known whether Lear accessories will be installed on these planes.

Controls for moving parts of planes are made by the electromechanical division which Bill Lear credits with "tremendous potential" in commercial markets. The non-defense field consists mainly of the electromechanical division's remote positioning system. Examples of these have been sold for nuclear reactors and for use in trimming jet engines; they also have applications in such industries as food processing, auto manufacture and mining. In addition, division products are finding many applications in industrial pumps.

The company's new solid states physics laboratory, Lear believes, also offers important commercial possibilities in the techniques it is developing for microminiaturized components and electroluminescent materials. Bill Lear foresees substantial growth forthcoming from the lab as a result of licensing its developments for manufacture.

But as yet Lear's toehold in the non-defense fields is extremely narrow. With this in mind, broad beamed, bespectacled William Powell Lear, 57, paced the floor of the Terrace Suite at New York's Hotel Lexington recently and asked himself a rhetorical question. "Why did we



Lear pilot Lear

sell our aircraft radio and navigation instrument business?" It was acquired by Motorola Inc this January in return for an undisclosed number of Motorola shares. The Lear answer: "The trouble with it was it was a consumer product line. A defense company such as ours should not get into marketing and merchandising for consumers. We're engineers and manufacturers * * * Motorola will do a tremendous job with that division."

Controlled Logic. The logical path for the company, says Lear's Lear, leads to controls for industrial processes. "We have a great deal of know-how in the military aspects of this field. It's been amazing to us how many problems we can solve for commercial companies by using this know-how."

For its flight into the controls field, Lear has chosen the acquisition route. Already the company has reached an advanced state of negotiations with several industrial controls companies across the country.

Chairman Lear meanwhile spends almost all his time in Europe (he even moved his residence to Geneva) to supervise spreading Lear activities abroad. "If we don't take advantage of the opportunity of selling our skills in the Common Market now, we'll miss the boat."

Accordingly, he is busy making licensing agreements with European manufacturers to produce Lear devices. Lear's European business reached more than $4,000,000 in 1959 through direct export and output of its wholly owned European subsidiary, Lear Electronic GmbH hangared at Munich Airport.

Though these measures are in process for opening new horizons for Lear, the company's present showing has its pleasing aspects for stockholders. Sales and income for 1959 have taken a strong leap over the previous two years. The figures, soon to be released, are expected to show sales of around $87,000,000 *v* $64,000,000 and earnings of about 95¢ a share against $1,600,000 or 68¢ a share in 1958. Backlog of the company is now around $76,000,-000, up $17,000,000 in the past year.

Naturally this growth does not match the frantic pace at the start of the Fifties when Lear sales skyrocketed from $8,000,000 in 1950 to $21,000,000 in 1951 and then to $44,065,000 in 1952 while income rose from a little less than zero in

1950 to 53¢ a share in 1952. During this Korean War stretch the company jumped from the very small to the medium-sized category.

Alger Autopilot. Founder, guiding genius and personally the inventor or designer of many of the company's products has been Bill Lear, a Horatio Alger award winner who went to work when he finished grammar school, now heads a company in one of the most technical lines of endeavor a man can enter.

Bill Lear began his working life as an auto mechanic ("10¢ an hour, 60 hours a week"), was at various times a battery mechanic, a multigraph operator (in the Rotary International office in Chicago), a grease monkey for mail planes and a War I Naval radio school instructor while still in his teens. After the Armistice he worked for a variety of radio companies (including Motorola), founded Lear Inc's direct ancestor in 1930.

It was not until 1942 that Bill Lear finished high school—four years in two semesters. All his other skills and knowledge he has acquired through avid reading and study carefully related to the work he was doing. He is now holder of an honorary degree of doctor of engineering from the University of Michigan.

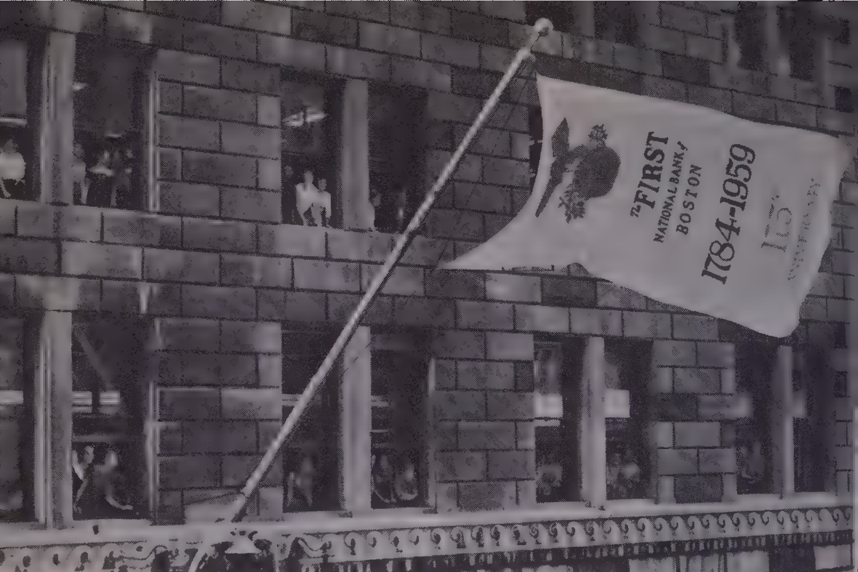
"Because the state of the art wasn't too advanced when I began, it wasn't too hard for me to grow with it," says Bill Lear. "God help the youngster starting in this business now; there's so much to learn."

Lear founded Lear in 1930 with $500 of capital. Most of its early work was in aircraft radios—the very part which was acquired by Motorola.

Chairman Lear has a secondary motive for spending time in Europe. By doing so, he says, "I am giving the management team a chance to flex its muscles and run with the ball." The company has been "too dependent on me, scientifically, in engineering and in management." He reports he has left operations and company planning plus the work of seeking expansion into commercial fields to young president Albert G Handschumacher (41), executive vp K Robert Hahn (39) and chairman of the executive committee Richard Mock (54). Al Handschumacher was named president in August, succeeding James Anast (no longer with the company) who himself had moved up from a vice presidency only a few months earlier. His predecessor in the president's chair was present executive committee boss Mock.

Bill Lear's stockholdings (including family and trusts) add up to about 700,000 of the company's 2,638,000 common shares which were listed on the Big Board last October. They have risen from 1½ in 1950 to as high as 23 in 1959, now trade around 18. Chief holder Lear recently turned down an offer for his shares from German and Italian interests.

Still at the controls, pilot Lear concluded by presenting this flight plan: "We think in five years we will be able to do $30-to-50,000,000 of sales in industrial and automatic controls."



The Banking King of Beantown

Boston's First National
Braces Solid Path
With New Ideas

ON THE last page of its neatly digest-sized 1959 annual report The First National Bank of Boston concludes as it has for years with this pithy motto: "To be venerable is of small consequence in itself. But to be old in years and experience and yet to be growing in usefulness is to be worthy of a great heritage."

The bank is indeed venerable. It celebrated its 175th birthday last year (witness the picture above). In 1784 a group of six prominent Boston merchants obtained from then Governor John Hancock the first bank charter in the US and opened for business as The President and Directors of the Massachusetts Bank. The present title was assumed in 1903 when the Massachusetts Bank purchased the First National Bank of Boston and adopted its name.

A measure of the bank's usefulness can be gleaned from its standing not only in Massachusetts and New England but in the rest of the United States as well. With $1.8 billion in total assets it easily ranks first in Boston and consequently in all New England. With $960,822,000 in loans and $1.6 billion in deposits it accounts for one fifth of all commercial bank loan volume and one sixth of all commercial bank deposits in the entire six-state Yankee area.

In its hometown, First National is bigger than all the city's other commercial banks put together. This is a rather unusual accomplishment for in most of the large Eastern money centers two or more banks are usually in keen competi-

tion for loan and deposit supremacy. And even when one bank's lead is decisive, it rarely overlaps its combined rivals as does the First National of Boston.

Nationwide the bank is No 16. Ahead are only the large New York and California banks plus First National and Continental Illinois of Chicago, National of Detroit and Pittsburgh's Mellon National. The big Boston bank is also one of the six biggest overseas operators with 15 branches in Cuba, Argentina and Brazil.

First of Boston also does a substantial trust business through Old Colony Trust Company whose entire capital stock is held in trust for the benefit of the bank's stockholders. Old Colony is one of the largest trust organizations in the country and of course tops in New England. Its personal trust department supervises assets with $2 billion market value including portions of the retirement fund of such industrial giants as General Motors, Jersey Standard and Dow Chemical. The corporate trust department is trustee for $1.6 billion of bonds. It also handles a tremendous volume of transactions as transfer agent, registrar, dividend and coupon paying agent and reorganization agent.

Bank Boss. At the head of the impressive First of Boston organization is 57-year-old Lloyd Dewitt Brace who serves as chairman and chief executive officer. Nebraska-born Brace's interest in banking dates back to childhood when he came to Boston and was brought up under the guidance of uncle Daniel G Wing who served as president in 1903-26 and chairman in 1926-36. Lloyd Brace graduated from Dartmouth in 1925, went to work at the bank as a clerk, moved up the ranks to vice president in 1932. He became president and chief executive officer in 1947. Last year the veteran banker was named chairman.

He is supported in his tasks by colorful Boston financier Serge Semenenko and John E Toulmin who serve as joint vice chairmen, also by Roger C Damon who last year moved up to president and chairman of the executive committee. In addition to his banking duties, chairman Brace also represents Boston's First on the boards of United Shoe Machinery, Stone & Webster, Gillette, US Smelting, AT&T, General Motors among others.

The bank in turn has its own impressive list of directors which include presidents Charles Adams of Raytheon, George Brown of United Shoe Machinery, Nathanael Davis of Aluminium Ltd, Thomas Dignam of Boston Edison, Paul Clark of John Hancock, Boone Gross of Gillette and Adrian O'Keeffe of First National Stores. Former Commerce Secretary Sinclair Weeks, now executive committee chairman of United-Carr Fastener, is another director.

The premier position of Boston's First has been the result of years of carefully planned policies to woo and retain both the corporate and individual customer. And through the years these policies have re-

sulted in a number of "firsts" for the staid New Englander.

First Credit. In recent years the most spectacular First first is "First Check-Credit," a revolving loan plan. Banker Brace explains: "We wanted something unique to offer our customers and hit upon the idea of adapting our commercial credit policies to the individual." Specifically it offers customers a pre-arranged line of credit on which they can draw checks any time with no need to go to the bank each time they want or need a personal loan.

President Damon invented the plan and introduced it to the public in 1955. Especially during the past year and a half, it has been readily copied ("with our consent") by many of First National's correspondents including New York's First National City, Chemical, Manufacturers Trust and Bankers Trust. Some version of First Check-Credit is now offered by more than 200 banks in all sections of the country.

Convenient credit for consumers

For First National, First Check-Credit has been enormously successful. More than 25,000 accounts are currently active and recently the bank has brought out an alternative 24-month repayment plan to supplement the original twelve-month version. Chairman Brace is pleased: "Our loss ratio has been equally as favorable as in our regular personal loan business."

First Check-Credit is also significant of a big change in Boston's First. Once primarily a "wholesale bank," it has become progressively more retail-minded in the last decade or so. Chairman Brace remarks on the First's retail philosophy: "To continue as a major bank in the area you have to offer the same facilities as your competitors." However he assures: "We are still relatively small retailers for a bank our size and we are retailers on a choosy basis in that we choose to deal only with the individual customer." Thus he has no intention of expanding consumer credit services into charge plans in which the bank acts as collection agent for stores, restaurants and the like.

Wholesale Change. On the wholesale side the bank has had to adapt its operations to an area which has shown some of the most radical economic changes in the US. Specifically, as many of the old line textile and manufacturing houses, once staunch customers of the bank, moved South in search of cheaper labor, the First has pioneered with a number of innovations more suit-

able to the needs of the many electronic and research customers which have sprung up in the bank's territory. Lloyd Brace estimates "almost half our revenues today come from services not in existence 25 years ago."

For instance back in 1934 the First National startled the banking community by offering what possibly was the first business term loan of more than a year's duration. In 1946 the First entered the "old-line" factoring business at a time when "only one other bank was in the business and its operations were local. Today the volume of receivables factored by us is the largest of any of the three banks now providing the service." More important, First of Boston ranks fourth in volume among all factors. Businesses serviced are chiefly textile mills and converters and clothing, shoe and furniture manufacturers.

This past year under the 1958 Small Business Investment Act the bank formed The First Small Business Investment Corporation of New England, a loan subsidiary designed to foster long-term advances to and investments in small businesses. Turning to considerably larger types of businesses, the conservative New Englander is one of the largest backers for Hollywood filmmakers.

Enter Electrons. To process its many and varied services with greater efficiency Boston's First in 1958 installed an elaborate electronic data processing system, built by the Datamatic division of Minneapolis-Honeywell. The new system currently handles all special checking accounts, some stockholder records, factoring accounts and instalment loans. "We are now putting it to use in our corporate trust work." The system will eventually be expanded to process substantially all of the bank's bookkeeping, loan, personal trust and corporate trust records. Chairman Brace points out while the system does not cut down on current costs, it slows the constant need for additional personnel and should thus pay off with good savings in the future.

Another boost for Boston's First has been the bank's extensive foreign operations. Aside from the usual foreign exchange trading, letters of credit, etc, the bank also maintains a large Latin American banking organization, second among US banks only to New York's First National City (58 branches in Latin America). Always subject to volatile Latin American economic conditions, earnings received from these branches last year were somewhat less than in 1958 despite gains in Argentina. The decline is "chiefly attributable" to the fact Cuban earnings could not be remitted.

On the other side of the ocean, "we're giving serious thought to increasing our business from Europe."

All told, the many bank activities added up to a record 1959 for Boston's First National with net operating earnings (including Old Colony) of $20,422,000 or $7.29 a share *v* $18,209,000 ($6.50) in 1958. Like all commercial banks the First profited heavily from the highest interest rates in almost 30 years, especially with outstanding loans

expanded by $17,600,000 to a record $960,800,000.

In January stockholders approved a 25% stock dividend. This boosted the bank's capital stock to 3,500,000 shares which trade over-the-counter around 70. The regular quarterly dividend on the increased shares was raised to 75¢ from the old rate of 70¢ on fewer shares. However the bank plans to dispense with the sizable year-end extras paid in recent years. The net effect will be a payout equal to $3.75 an old share *v* $3.30 previously.

Total Capital funds of $186,000,000 now stand at 10% of total resources which banker Brace feels "makes us comfortable capitalwise" and "earnings growth should be enough to nourish our capital in the immediate future."

Hubbed-In Deposits. Like many a large money center bank the First National has had its share of trouble increasing deposits. In fact just ten years ago the bank's loan-deposit ratio was 33%. Today loans stand at a little under 62% of deposits. Banker Brace considers this "safe."

One way he would like to build deposits is through branch banking. The First currently has 25 branches in and around Boston. Massachusetts banking laws restrict branches to Suffolk County which includes Boston, the outlying cities of Revere and Chelsea and the town of Winthrop but excludes such lucrative banking areas as the Route 128 industrial sector, Cambridge and Quincy. Comments chairman Brace: "I've gone on record as in favor of 'trade area' rather than statewide banking. By that I mean an area in the order of 15 miles radius from the main office. We have no desire to tread on the territory of Springfield or Worcester." Despite recommendations of a special Recess Commission on Branch Banking in favor of extended branch banking, the proposal is expected to find rough sledding in the Massachusetts legislature. One hope: should the New York legislature allow the three-year freeze on bank holding companies to expire this month, this might touch off a more relaxed attitude toward banking expansion in other states.

But until it does—if ever—Lloyd Brace keeps his eyes peeled for any additional Boston business he can find and new ways to serve it. "We're constantly on the lookout for new services and new activities. We're looking for growth in new fields where we'll get paid for it. The New York banks are always sending out bird dogs and it will be our own fault if Boston business goes elsewhere."

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LEHN & FINK COLOR

Whether a gal wants a complete color change, new lightened tips or just camouflage for obtrusive grayness, she can look to proprietary and toiletries specialist Lehn & Fink Products Corp to do the job with its new Magic Color or Magic Rinse. These two coiffure aids are but one of the many beauty preparations the New Jersey cosmetician turns out under the Dorothy Gray, Hinds, Tussy and Ogilvie Sisters label. They range from hair preparations, deodorants and face creams to new preparations for eye beauty including liquid eye liners and swivel stick pastel eye shadows.

But the primary products of this $15,000,000-assets druggist are still 69-year-old disinfectant Lysol and related germ killing specialties. These broad-spectrum bacteria and virus fighting disinfectants, long familiar to households and hospitals alike, account for a major portion of Lehn & Fink volume.

For the first six months of fiscal 1960 (which ends June) these various germ killers and beauty aids brought in $17,100,000 worth of business for Lehn & Fink, up 4% from the same period last year. Earnings came to $740,000 or $2.21 a share, exactly one penny more than in the first six months of fiscal 1959 when 3,300 fewer shares were outstanding. For the full year Lehn & Fink estimates sales "in the neighborhood of $35,000,000 v $32,600,000 for the June 1959 year;" while earnings are expected to be "slightly better" than the $3.94 earned in 1959. The 1959 profit includes $102,000 in dividends from foreign subsidiaries but not the $227,000 part of their operating profit retained abroad.

FIRST THINGS FIRST

It's not often that you see someone drinking a pousse-cafe, perhaps because the necessary ingredients aren't always available or because not very many people know how to make this colorful concoction.

Well, of course, the secret of making a pousse-cafe is to select five or six or seven liqueurs of varying proofs and pour a little of each of them with great care into a glass in layers, starting with the heaviest and least volatile and working up by degrees to the lightest and most volatile. The result is a rainbow of colors, a blend of bouquets, and a medley of flavors.

Actually, the technique for building an investment portfolio is very much the same. First, the same judicious selection of ingredients. Then a meticulousness in determining the proportions. And, of course, taking care to start with the least volatile ingredient. A well-balanced portfolio starts with relatively stable issues in well-established companies, just as a pousse-cafe starts with the heaviest liqueur.

If you decide to make a pousse-cafe, be sure to check the proof on every bottle before you pour. If you want to build an investment portfolio, be sure to peruse pertinent information about each company before you buy.

Or leave the making of pousse-cafes to bartenders and turn your investment problems over to our Research Department, without charge or obligation.

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